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## **IT Consultants' Voluntary Contract Termination - A Psychological Contract Perspective**

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### **Abstract**

*This research explores the question why IT consultants terminate their employment contracts in a labour market with job drought, downsizing and salary cuts when they were among those who kept their jobs during layoffs. A process model for the maintenance of a psychological contract between employees and employers is presented, which combines the concept of psychological contract with a theory of the relation between intrinsic motivation and management practices and with theories of identity, self-esteem, influence and power. The research verifies and specifies the model based on a revelatory case study. The model helps explaining IT consultants' behavior of voluntarily terminating their employment contracts beyond the crisis situation in the IT industry some years ago which motivated this research originally. It should assist managers in a more general context in avoiding practices, which might lead to their employees' loss of intrinsic motivation and as a consequence to the loss of valuable employees for the organization.*

### **Keywords**

Psychological contract, voluntary contract termination, IT Consultants.

### **INTRODUCTION**

Why do dedicated IT consultants quit their job in a labour market with job drought, downsizing and salary cuts in a company where they are among those who could keep their jobs during layoffs? The work presented in this paper reports the results of research, which answers this question by providing the stories of four IT consultants who worked in the same IT consulting company – in the following called the Company. We use the concept of psychological contract and link it to the concept of intrinsic motivation to develop a framework for understanding the 'maintenance of the psychological contracts' between employees and their employing organization to analyse the four stories and to derive theoretical and practical insights about the phenomenon under investigation both, with regard to voluntarily terminating employment contracts when the IT industry experienced a crisis situation, but also in a wider context. The concept of psychological contract describes the informal aspects of an employment relationship (Svedberg 2000, Carr 2001). It was originally introduced by Schein (1970) to discuss the informal relationship between consultants and clients. In IS research Sabherwal (1999) used the concept and analysed the informal relationship between a customer organization and an IT supplier in a case study of information systems based development. Employment is a long term relationship that is governed by a formal contract. As resources are required to maintain long-term contracts, informal, relational contracts are often established in addition to reduce the possibility of opportunism (Barney 1996). A psychological contract helps to regulate informal work situations and the expectations between the involved parties and what they provide to each other (Svedberg 2000). Beyond salary employees want to derive meaning and satisfaction from work (Morse 2003), in this regard a psychological contract plays a significant role. Psychological contracts are however obscure, they often only exist unconsciously (Carr 2001). As the content is vague, a very important aspect of a psychological contract is that the expectations in relation to the contract are met. The remainder of the paper is structured as follows. In section 2 we present the theoretical background and resulting framework in more detail. In section 3 we introduce our research approach and we then present the stories of the four IT consultants in section 4. We revisit and analyse these stories in section 5. In section 6 we discuss and summarize our results and present our theoretical and practical insights.

### **Theoretical Background**

A psychological contract is exposed to various influences and thus might change in the course of an employment. It therefore needs to be maintained. Cialdini's (2001a, b) theory of influence is a starting point for identifying the influences a psychological contract is exposed to and how to maintain an acceptable psychological contract. Cialdini (2001a, b) argues that people are influenced to accept requests without further thinking about them through unconsciously initiated influence processes. He presents six principles that initiate these processes and mechanisms for their application:

**Reciprocity** - people repay in kind, give what you want to receive - is fundamental for the maintenance of a psychological contract as a psychological contract involves mutual influence, interaction and negotiation between the employee and the employing organization where the relational processes between the employee and the organization are "deep-seated; largely unconscious; intimately connected to the development of identity; and, have emotional content. [...] the term seduction is more appropriate than notions of mutual influence and negotiation, which are more often associated with high degrees of consciousness and rationality" (Carr 2001, p. 429). Identity and emotionality are key terms relating to reciprocity in working relationships; employees are encouraged by their employers to identify with the organization's features, values and culture (Carr 2001). Identification involves developing emotional ties to the organization, and that employees surrender some of their identity to the organization. The ties are strengthened when employees achieve recognition and rewards through their work. Such ties create a feeling of belonging, this is related to the concept of cohesion, which is about how much an employee identifies with and is bound to a group. Cohesion is the social force that causes individuals to join a group, the strength of a group to define itself and to remain a unit (Forsyth 1999, Svedberg 2000). Identity is tied to individuals' expectations of their own and of others' behaviour (Cast & Burke 2002). When expectations are not met, negative emotions like anxiety and anger are built up. Individuals address this by adjusting their own behaviour or their expectations of others' behaviour. If the gap between expectations and their fulfilment is too big, the individuals either remove themselves from the situation or shed their identity. When expectations are met, a confirmation of the relationship to the others is achieved and self-esteem rises. A strong self-esteem serves as an emotional reservoir if expectations turn out not to be met, and this contributes to stability in periods of change and negative emotions. People with high self-esteem have greater cognitive resources that enable them to deal with unsatisfactory situations in a more effective way than people with low self-esteem. Those who get most confirmation that they do a good job will have the greatest self-esteem. Thus, they have the best basis for dealing with an emotional conflict, and it is reasonable to assume that they are the first to quit their jobs if the emotional conflict is too big. In conflict situations those who care most about a job become those who are most demotivated and find a new job; those who stay are often the ones who do not care (Britt 2003). According to social exchange theory (Forsyth 1999) a psychological contract contains the criteria that must be met such that employees feel that they get a sufficient return on the investment they make in the relation to an organization. If an employee over time gets less back than what s/he according to own opinion has invested, the employee will leave the relationship and the organization.

**Consistency** - people align with clear commitments, make their commitments active, public, and voluntary - describes the conformity between a psychological contract's content and its actual fulfilment, whether the commitments entered into are experienced as being met. Since the commitments in a psychological contract are largely implicit and not overt, they concern the individuals' expectations about an organization. If expectations are met, an employee will fulfil the obligations s/he feels that s/he has in relation to the contract, giving back in accordance with what has been given (see the reciprocity principle). If an employee gets less than expected, s/he will correspondingly give less than s/he initially felt obliged to give and if the employee gets more, s/he feels obliged to give more. However, inconsistency creates anxiety and anger. The employees' reaction on inconsistency, i.e. lack of behavioural integrity, is that trust and loyalty are weakened (Simons 2002). "Outstanding loyalty is the direct result of the words and deeds - the decisions and practices - of committed top executives who have personal integrity" (Reichheld 2001, p. 76); management cannot expect employees to be loyal if they are not perceived as loyal towards employees and customers. Simons' (2002) shows that organizations where employees perceive that managers act consistently in relation to their obligations were substantially more profitable than the others, and concludes that lack of trust comes at a high expense. Lack of trust and loyalty are related to inadequate organizational processes in organizations (Kim & Mauborgne 2003), it is more important to have a fair process than to achieve a fair result, because a fair process provides emotional support i.e. it reduces negative emotions. A fair process has three characteristics: it engages, it explains and it sets clear expectations. A fair result yields what one thinks one deserves, but nothing more. According to the reciprocity principle there is thus no reason to give something extra back to the organization. The difference between an expected and a good result corresponds to the effort, which is put in voluntarily as part of a reciprocal relationship (Kim & Mauborgne 2003). Commitment can contribute to that employees remain in a relationship or an organization for some more time after negative feelings have arisen (Cast & Burke 2002). The period during which the employees have negative emotions, but wait and see, presents an opportunity for an organization to change behaviour by doing something in relation to the negative emotions, if it recognizes the situation, or for the employees to adjust their expectations. This provides the basis for a revised contract, where obligations and commitments are renegotiated.

Influence is exerted through the exercise of power (Bråten 1981), thus the relationship between the principles of **authority** - people defer to experts, expose your expertise, do not assume it's self-evident -, **social proof** - people follow the lead of similar others, use peer power when possible -, **liking** - people like those who like them, uncover real similarities and offer genuine praise -, can sensibly be discussed in relation to different kinds of power. Forsyth (1999) distinguishes between (1) legitimate power, influence based on a ruler's legitimate

right to demand obedience, (2) reward power, influence based on the capacity to control the allocation of a reward, (3) punishment power, influence based on the mandate to threaten and punish those who do not confirm with a request, (4) reference power, influence based on identification with, attraction to or respect for those in power, (5) expert power, influence based on the belief that those in power have superior abilities and skills, and (6) information power, influence based on the potential use of information resources, including rational arguments, persuasion or actual data. Bråten (1981) has coined the notion of model power as someone's power to determine ways of understanding and talking about a phenomenon. Influence in the form of social proof occurs via 'the others', and their perceptions of whether their own psychological contract is fulfilled. If the others are satisfied and happy, this affects one's own well-being positive and if the others feel distressed, this affected one's own well-being negatively. This influence principle can best be controlled by the exercise of information power, based on the rule 'what people do not know, does not hurt them'. Liking relates to 'someone one identifies with and/or looks up to,' as distinct from social proof, which relates to 'someone else', the others. When someone one knows and likes, has an opinion about something, this has a stronger effect than when some unspecified others express this opinion. Liking strongly relates to reference power. Authority can be understood in two ways, as expertise (Cialdini 2001b), or as based on the mandate provided through a specific role. Experts influence through expert power and informational power, they are trusted and their advice is followed because they know best. Formal leaders are important authorities in an organization. Managers have legitimate power by virtue of their roles. They also have reward power, punishment power and information power. A manager can affect the process of maintaining a psychological contract by influencing the formal contract. Termination, layoff, farewell packages, and salary cuts are elements that affect the formal contract, but also affect the psychological contract as such measures are often associated with negative emotions (Carr 2001). Such measures will be experienced as the exercise of punishment power. A leader can influence a psychological contract by making requirements concerning results, which in practice are new expectations for behaviour, or by exercising reward power in the form of, for example, provision of training, bonus or salary increases. Managers have the opportunity to practice various forms of information power such as control of the agenda (Bachrach & Baratz 1962) by determining what is informed and communicated about or model power (Bråten 1981) by creating strategies and structures for interaction. The exercise of power by a manager can thus have effects, which lead an employee to believing that the organization does not appear consistently and thus does not fulfil its part of the psychological contract. It is not the exercise of leadership itself that affects whether the psychological contract is considered as fulfilled or not, but the perception of the exercised leadership.

Finally, **scarcity** - people want more of what they can only have less of, highlight unique benefits and exclusive information - can affect the psychological contract as it affects the scope of action when an employee is experiencing emotional conflicts. If many jobs are on the market, it is easier or more tempting to try to find a new job than if there are few jobs. It is not certain that everyone will react alike to scarcity. Consultants, who do not get their identity confirmed through their work, get lower self-esteem than those who get confirmation that they do a good job. Those with lower self-esteem may not seek other jobs in times of job scarcity, even though they might like to do so. Thus, scarcity can be an influencing factor, which does not affect those with high self-esteem, but which leads those with less self-esteem to stay.

The content of the psychological contract is related to finding meaning and be satisfied in one's job and with one's work (Morse 2003), to be allowed to do one's best (Britt 2003), to feel enough certainty to grow with a task, and enough uncertainty that it becomes necessary to grow with a task (Moxnes 2000). It is also related to emotional support and belonging (Forsyth 1999), to engagement, to clear expectations and to explanations why decisions are taken (Kim & Mauborgne 2003). People engage in their work for the challenge and the enjoyment of it, the work itself is motivating; Amabile (1998) calls this intrinsic motivation an important part of a psychological contract. She has identified six management practice categories, which when utilized, promote intrinsic motivation, and when neglected inhibit it. They are:

1. Challenge: assigning the right task to the right person, so the employees have something to strive for; if a task is too little challenging it becomes boring, but if it is too challenging it can create fear of losing control; the pitfall here is to give a task to someone, who incidentally has no actual assignment.
2. Freedom: setting unambiguous and clear goals, but giving the employees influence concerning the way to reach the goal; it is important that the goals are stable over a relevant time period; pitfalls are to change goals too often or not to define the goals properly, and to provide the illusion of free choice in a process that is predetermined.
3. Resources: allocating time and money; insufficient resources give no space for challenges, or make it impossible to get a task done; too many resources will affect the results negatively; the pitfall is to miscalculate the actual need for time and money.
4. Work-Group Features: putting together a working group that consists of people with sufficiently diverse backgrounds and of people, who can form a group whose members are mutually supportive; the pitfall is to put together groups of employees, who are too similar, their members will easily cooperate, but will hardly be able to create something new.

5. Supervisory Encouragement: providing the feeling that an employee does matter to the organization or to an important group of people; the pitfalls are not to show attention and to meet employees' new ideas with too much criticism.
6. Organizational Support: promoting and rewarding creative solutions by facilitating information sharing and collaboration; the pitfalls are to reward in the form of money that gives the employees the feeling of being bribed and install policies and reward systems, which inhibit information sharing and collaboration.

On this background we can now present a model of the process of maintaining a psychological contract. The reciprocity principle builds the basis for the model. The perception and experience that expectations are fulfilled, i.e. whether the organization behaves consistently with the psychological contract, which employees feel they have with the organization, affect the employees' self-esteem and feeling of belonging to the organization. Inconsistency brings about emotions, which can lead employees to thinking that they should regulate their commitments and obligations (Cast & Burke 2002) by giving more or less than what they perceive as "the contractual agreement". The commitments may follow an intrinsic need to give more back if oneself receives more than expected (Cialdini 2001a, b) or to show less trust and loyalty to the organization if one receives less than expected (Kim & Mauborgne 2003).

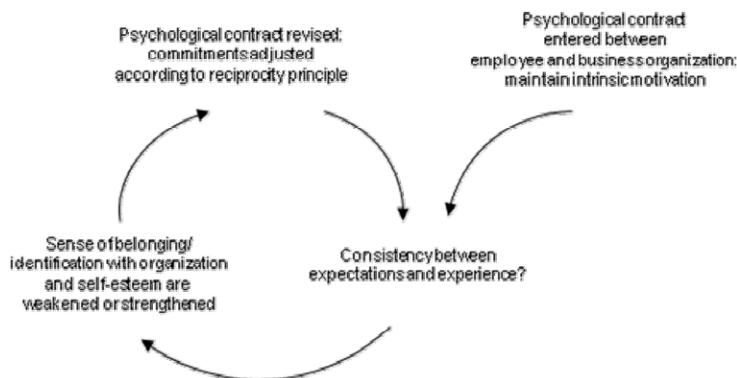


Figure 1: A process model for the maintenance of the psychological contract

The content of the psychological contract can be described as dealing with the maintenance of intrinsic motivation. This contract content is affected by the way leadership is exercised (Amabile 1998) and by the way authority and power are exercised. An employee's perception of whether the organization acts consistent with the psychological contract is also influenced by the principles of social proof and liking (Cialdini 2001a, b). Revisions and adjustments of the psychological contract can be affected by the principle of scarcity, especially if emotional conflicts arise. A good cycle of maintaining the psychological contract is characterized by a situation, where the employee's expectations are more than fulfilled, the employee gets more back than expected and as a consequence his or her feelings of belonging are strengthened, the employee adjusts his or her commitments to and in line with the principle of reciprocity responds with a desire to give even more back to the organization than what s/he is obliged to. If the employees get less than expected, their feeling of belonging is weakened and the employees want to give less back than what they initially felt obliged to, we call this a bad cycle in the process of maintaining the psychological contract. An employee, who initially is content, i.e. has a strong feeling of belonging, will have an emotional surplus or reservoir, which means that even after bad cycles the employee does not resign immediately, but waits and sees. This is an attempt to re-establish the contract to again becoming consistent with the commitments, which the employee has entered into through the psychological contract. The process model for the maintenance of the psychological contract is depicted in figure 1.

## RESEARCH APPROACH

The model presented in the previous section follows the logic of a process theory, which means that causation consists of necessary conditions in a sequence where the absence of one such required condition will impede the outcome from occurring (Markus and Robey 1988). Given the limited literature concerning our research topic, our investigation took place in a single case organization and is based on a qualitative study of exploratory, open-ended interviews with four informants (Creswell 2003). The ontological and epistemological assumptions of the study are informed by the interpretive paradigm, and accordingly the role of those involved in the investigated phenomenon is understood as that of active constructors of meaning as well as active interpreters of reality. Their meaning construction process is central and forms the basis for understanding their actions.

We selected a revelatory case, or rather cases, if we consider the individual informants (Yin 2009), which has not been described in the IS/IT literature before. Such cases are considered to be prototypical or paradigmatic of

the phenomenon of interest (Gerring 2007) and by studying the case organization and the informants we were able to illuminate key aspects of the process of maintenance or negligence of the psychological contract, which leads to IT consultants' voluntary contract termination. In contrast to a representative case selection our objective is to introduce ideal types, which are formed by the one-sided accentuation of one or more points of view (Weber 1949). As such, the identified constructs and the presented model exhibit in their current form an instance of theorizing through idealization (Lopreato & Alston 1970, Ghazawneh & Henfridsson 2012), which needs to be further validated. This approach might be criticised for initially only generating a local empirical theory, which might not be generalisable, but as argued by Hughes and Jones (2003) it contributes to the existing body of knowledge by providing a detailed account of empirical findings. There are two reasons why the Company is suitable for this endeavour. First, the Company's history (see next section) involves a number of alterations in its strategy, which allowed to segregate specific episodes for tracing underlying patterns and enabled temporal decomposition, which is important in process studies (Langley 1999, Ghazawneh & Henfridsson 2012). Second, as an employee of the Company herself and a long time colleague of the study participants, the first author had the role of an insider researcher and shared an identity, language, and experiential base with them (Asselin 2003). Being an insider researcher enhances the depth and breadth of understanding a population that may not be accessible to a non-native scientist, but it also raises questions about objectivity, reflexivity, and the authenticity of the research project, because the insider might know too much or is too close to the project and may be too similar to those being studied (Kanuha 2000).

The study is based on depth interviews with four consultants, who had finished in the company. They have in common that they (a) stopped by own choice; they did not receive a farewell package or were laid off, (b) had been employed for a long time; at least 7 years, (c) they had been active in the professional development in their areas of expertise and demonstrated their commitment by giving more to the company than they were obliged to. The interviews were based on a vitagram, i.e. a graph, which the interviewees produced before their interview showing their employment and working life satisfaction in the Company over time. Vitagrams have been used in medicine to capture quality of life since the 1970s (see Armstrong et al. 2007). To support the interviewees during the report of their stories we used an interview guide and open questions, which took their starting point in the vitagram. During and immediately after the interviews interview reports were produced which the interviewees read, commented upon and approved and which built the background for the subsequent analysis. To avoid an insider's bias and to avert influencing the respondents, two countermeasures were taken: to be very conscious about them, the inside researcher wrote down her own expectations of what she would find through the investigation before she started the interviews and very open questions not based on any of these assumptions, but on each individual's vitagram, were chosen. Still, we found that the respondents took some truths for granted - they did not elaborate on them, as they assumed the interviewer to know these based on their shared history. Then, the differences between the stories that were told were much larger than expected and they were different from the story the inside researcher had written down herself. The same is valid with regard to the consultants' motives to quit their jobs. Thus, although the inside researcher might have influenced some details of the interviews by pointing to examples and incidents, we conclude that this has not affected the major features of the stories, and therefore it has been justifiable to use the collected empirical data to validate the model.

## THE STORIES OF THE IT CONSULTANTS

The Company, which builds the background for the stories of the interviewed consultants, whom we named Art, Bee, Curt and Di, is a management and IT consulting firm. It works with innovative restructuring processes in which information technology is a key instrument for achieving business goals and for helping its customers to added value. It was founded in the late 1980s by about 40 IT consultants, who had left another organization. For more than 12 years the company went well and grew steadily through mergers and acquisitions to about 1200 employees, among others through a merger with larger, technology oriented firm. It was also listed at a stock exchange. To stimulate the employees, incentive programmes including stock options and immediate cash rewards were established. However, in line with other IT consultancies the Company had grown too fast and too large and when an economical crisis hit the IT sector about the year 2000, too many companies competed on a small market with too few customers. Thus in the following 3 years parts of the Company were sold again and in several rounds more than 100 employees accepted farewell packages while about another 50 were laid off and the salary system was changed into a variable pay scheme. At the end of the period, which also demarcates the end of this research, the Company had shrunk to 600 employees again.

When **Art** started, he was pleased with the organization. A good social environment prevailed and he soon got assignments to work for customers. He participated in the Company's internal life as an active member of one of the company's professional core experience groups. The first time he became unhappy and felt let down was when he was assigned to a project with another consultant, who was not competent to perform the task. Art informed his manager about this, but nothing happened. He had expected to either get an additional competent person or a competent replacement, so that Company would have a real chance to deliver a good result. This did

not happen, but Art considered it a one-off event. But when Art was assigned to the next project and the same happened again, his motivation decreased dramatically. Nevertheless, Art was still content, because the project gave him an opportunity for personal growth. His commitment to the project was strong, but the commitment to the Company became less and less. The final 'blow,' which led to Art's decision to resign was one of the lay-off rounds. Art experienced the lay-offs as deeply unfair and that they struck blindly. He stated that the Company had had no clear profile anymore of what its business should be and what it should specialize in. In his view this made it difficult to make personal choices that would increase the likelihood that one would keep one's job in times of cutbacks and layoffs.

**Bee** started as a satisfied employee. The first major downturn came, when the Company had two rounds of layoffs. Bee felt that it was hard to stay behind when her social network disintegrated and good colleagues disappeared. She did not leave because uncertainty in her private life made it too unsafe to switch jobs at the same time. The situation improved again and she thought there was a good balance between a focus on earnings, short-term gains and competence development. Eventually, however there was less focus on competence development and she frustrated as there was no longer a correlation between the assigned tasks and the time she had available and she felt quite alone. So she handed in the notice, but when the organization decided to focus on something she was interested in, she changed her decision and stayed. Her joy proved short-lived. The new unit she had joined turned out to have no consensus on what it would work with and as it did not produce financial results fast enough, it was closed down. At this point her motivation decreased rapidly. Her personnel manager recognized this and got her quickly out in a customer project believing that her discontent would go over. But it did not. She felt obligated to the project, but at the time the project finished, she thought of looking for a new job. This decision was strengthened by the last rounds of lay-offs. When management decided to use such means, which she disagreed with she lost faith. So, it was not hard to say "yes" when a new job offer came. Bee described the changes in the organizational culture as follows: At the start the focus was on creativity, cohesion and well-being, then after the acquisition the slump came with an engineering culture and focus on rationality and numbers. Then came a period of growth and focus on the stock exchange followed by a period of balance between short and long term gains and goals, and finally a period, where management was not willing to pay 'the price for the growth of the company' by supporting its employees.

**Curt** was happy at the start of his employment, but gradually his well-being which he defined as related to enthusiasm, commitment, motivation, and loyalty, deteriorated. The incidents that affected him were that promises were not kept, it was f. ex. said that professional development would count positively for salary and bonus determination, but it did not. There were also disappointments with regard to his expectations of management: he perceived leadership as clumsy, lacking reasonable thought and sometimes being unethical. He perceived that as the organization's growth increased, simultaneously the work force's general discontent rose which also affected him. When the redundancy packages were initiated, in addition to the layoffs and the introduction of variable pay, i.e. a 15% decline in salary, Curt thought that the job situation and his fixed income became too uncertain. However, when management withdrew the proposal for variable pay, he felt that his income was safe enough and determined to stay. But when the variable pay model was introduced again, he decided to leave and found himself a new job. Curt thought that the Company changed from being an organization with great openness, co-determination, and participation, where individual differences were seen as strength, and governance was executed according to individual needs, to an organization, which was completely closed, without co-determination and participation, where individual needs were ignored, and where governance was entirely executed according to economic principles.

**Di** started as a consultant, but became a manager. She was content, right up to the point where a reorganization of in terms of market areas meant that she got a new superior. Her motivation and enthusiasm sank dramatically as her new boss was not a collaborator; he gave orders. At the time Di was head of a department with 80 employees, three sub-managers reported to her and she divided the responsibility for staff between them. Cooperation was important for her and she felt that the collaboration between her and these managers worked well. She thought it was part of her job to collaborate with other managers further develop and prepare the Company for the future. But she was not allowed to do so. As a consequence she felt overlooked and felt that the management team did not work well. This feeling was confirmed when the redundancy packages were awarded. Management did not look at the employees' collective skill set, but focused on departmental performance, although they knew that the Company would be reorganized in the following year, this time back along subject fields. She resigned as a manager and became a consultant again. At this point it was also decided that the Company would move location, which would mean a longer travelling distance for her. Thus she contacted someone in the headhunting industry and got job offers. When she stopped her unit manager was surprised, as she believed that Di was happy because she was on a customer assignment. Di described the biggest change in the Company as going from being a company, where people cared about and stood up for each other to an organization, where people did not care, nor stood up for each other, i.e. a company, where solidarity and social cohesion disappeared and where the social environment had changed. She thought that this was a consequence of the growth and the mergers.

## AN ANALYSIS OF THE STORIES AND THE PSYCHOLOGICAL CONTRACT

The consultants had different reasons why they quit, yet there are similarities: (1) All had emotional reasons for quitting: job insecurity, not being appreciated as a human being, but only considered billing machines, a feeling that management was not to be relied on. (2) For three of three of them, the lay-offs were decisive, but mentally they had quit before. (3) It took time from when the decision was taken until it was implemented, in this period they had withdrawn from the Company, but felt commitment to the projects and customers they were working for. (4) None said that their managers had seriously tried to persuade them to stay. (5) Two were explicitly disappointed with the way the employment was terminated as no one cared about that they stopped or expressed any regret. (6) All appreciated their colleagues, who were described as clever, willing to provide advice and help as well as being interested in doing a good job for the customers. (7) All consultants were happy and content for a long time, discontent emerged during the period of strong growth, the "big merger", the focus on shareholders and stock exchange. (8) All went to new employers where their job content was similar to their job at the Company; it were not boring assignments or too little challenging tasks, which made them quit. (9) All were glad that they had stopped.

We now use the process model for maintenance of the psychological contract to explain the consultants' employment experience. Art first experienced a disappointment with a poorly composed team of consultants, scaled his expectations down and withdrew mentally. When the same letdown returned, he decided to stop. This decision was however not implemented before the lay-off came, then he handed in the notice without having a new job to go to. Bee had a downturn at the beginning of her career in the Company. Then her motivation went up; her expectations were met, and they actually rose. When the Company focused too much on short-term profits and too little on long-term survival, her motivation went down, but went up again when the organization focused on something she was interested in and finally straight down when the Company nevertheless didn't focus on that area. She went when she was offered a new job. Curt had many setbacks over a long period. He felt that management was stingy and uninterested in its employees. His attitude became 'why give something to the Company when it has nothing to give?' The economic insecurity caused by the variable pay model was what got him to take a final decision to go, although he had had a small resurrection when he thought that the Company would not introduce variable pay after all. Di had a number of setbacks over a very short period. But first she continued as a consultant. However when an offer for a new job came, she accepted. The consultants' stories have some common features in terms of maintaining their psychological contract: (1) There is a correlation between the negative emotions, a sense of belonging and self esteem. (2) The consultants went through several "cycles" in the model. (3) The influence policies social proof, liking and scarcity influenced their perception of consistency, but were not decisive in relation to taking the decision to leave the job. All stated emotional reasons for terminating their jobs. Negative emotions led to a decrease of their sense of belonging to the Company. The loyalty to the customers did not drop, neither in the Company in general nor by the consultants in particular; they felt committed to their customers and they perceived that also their colleagues wanted to do a good. The consultants' self-esteem did not fall either. None of them had experienced problems in relation to being without a contract for a longer time period and had survived several rounds of cutbacks and layoffs. In a consulting firm many contracts give status - salary and bonus - as contracts mean billed hours. Contracts also mean more contracts because it is easier to get a new assignment when one has been on assignments before; here the customers are affected by social proof. To put it forcefully: Contracts and assignments are a basis for expert power, reference power and information power. All the consultants went on to new jobs with similar content than they had in their positions in the Company.

All consultants had several rounds of negative cycles. Each round in a negative cycle affected the consultants' liability and commitment with regard to their psychological contract in that they became less and less satisfied. They probably expected less from the organization, but they did not quit. In this way they gave the Company a chance to change behaviour. It is possible to reverse a negative trend. This is most evident in Bee's case, but also in Curt's case a small upwards turn occurred. The reversal of the negative trends happened when the consultants perceived that the Company changed its behaviour, but the taken measures were not all sufficient. None of them stopped because someone else had done it, the principles of liking and social proof did not influence them at all. Bee and Curt said that as many employees started and stopped, something happened to the sense of belonging and the employee identity, but this was not their major reason to stop. The consultants' self-esteem with regard to assignments and contracts was big enough so that a scarcity of jobs did not prevent them from quitting. They did the only rational thing from their perspective, they moved from a business, which they no longer wished to be part of and continued with what they were good at somewhere else.

All consultants stated management practices, which inhibited intrinsic motivation (Amabile 1998) as their reasons for quitting. Art's reason to resign was a combination of challenge, work-group features and lack of organizational support: he did not get the right job assignments with regard to his expertise, he was assigned to project groups which were composed of people with the wrong skills, and no one in management did anything



with these issues. Art said that there was too much freedom, i.e. the organization's objectives were too vague and unclear for the employees. The first time Bee resigned can be described as a lack of encouragement from management and of resources as her tasks did not fit with the time that was available. She stayed because she got a new challenge. She resigned because management did not hold onto the goals she worked towards long enough that reaching results was possible; her reasons were a combination of lack of freedom and resources. Curt finally quit because of a lack of encouragement; he provided examples of that it did not matter when the consultants put in an extra effort; it was just not seen. And, there was a lack of organizational support; the reward system for managers led to management activities that were related to their goals, not the organization's. Curt was most outspoken with regard to that his intrinsic motivation disappeared. The reasons why Di stopped were primarily related to the characteristics of her work-group. The management group had not the qualities Amabile (1998) describes for a good group such as the members' shared excitement over the team's goal, members willingness to help teammates through difficult periods, members' recognition others the unique knowledge. Some of the similarities in the consultants' stories can also be related to her management practice categories. One manager believed that it was enough to get consultants into customer projects to get them to stay, but that did not help. We can speculate that these assignments were not challenging enough to increase the consultants' intrinsic motivation. Based on the considerations that the belonging to the Company was already weakened, it is reasonable to assume that more encouragement from management, i.e. interest and commitment would have been necessary to convince the consultants to stay. Three consultants said that the lay-offs, which were a dramatic change in some colleagues' formal contracts, led them to lose all trust in management and as such were key events with regard to deciding not to go more cycles in the process of maintaining their psychological contracts. The lay-offs were perceived as a fundamental lack of management encouragement and organizational support. The employment terminations, where employees were 'thrown out' of the organization without a 'thank you and good luck' did not explicitly influence the consultants' intrinsic motivation, but were confirmations that it had been the right decision to leave the organization.

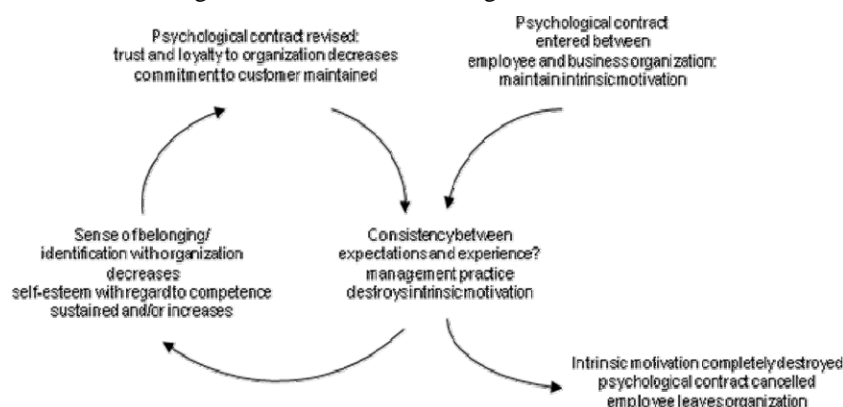


Figure 2: A process model of poor maintenance of the psychological contract

Since all consultants experienced negative cycles of contract maintenance, we can now specify the general model with regard to such a course of events (see figure 2). The consultants left the Company because their psychological contracts were poorly maintained as they went through several bad cycles where management did not provide the conditions to maintain intrinsic motivation. This led to a reduction of trust and loyalty and to a situation where the consultants resigned mentally long before they physically left. The process starts with that a psychological contract is entered between an employee and an organization. A bad cycle then commences with that the organization does not meet the employee's expectations, as the employees experience management practices, which inhibit their intrinsic motivation. This inconsistency leads to the consultants' sense of belonging being weakened. The weakened association with the organization results in the consultants' revision of their psychological contracts with the outcome that their faith and loyalty to the organization compared to the trust and devotion, which they initially had, decreases. Their loyalty to customers is maintained, however. The consultants go through several such bad cycles until at one point there is no belonging and trust left and they terminate their employment.

## DISCUSSION AND CONCLUSION: THE CONSULTANTS' STORIES IN CONTEXT

We have looked at the process of change from engaged employee to volunteer job seeker from the individual employee's perspective. But the consultants are employed and part of a business organization. Thus we now discuss from the organization's perspective what it means that employees leave, and how it could happen that the Company no longer was able to maintain the consultants' intrinsic motivation. Does it matter for the organization that people stop and that experienced employees leave in frustration? For those who have leave, it is certainly a relief to have made the decision and for them it is positive that they did something with a work

situation, which they did not like. For the organization this may have various consequences. Of course when someone leaves, it means new opportunities for those who stay. But like in the Company, it is often the best and most engaged (Britt 2003) who leave first. The best leaving reduces the feeling of belonging and loyalty of those who stay as one of their colleagues, someone like themselves, did not think that the organization was a good enough place to work and as social support and expertise disappears with those who used to provide it. For the organization the loss of experienced consultants may lead to the loss of contracts and work assignments, and thus loss of revenue. In itself it is neither good nor bad that someone stops. But if many employees leave because their intrinsic motivation is destroyed due to poor management practice, this means that the employees have found individual solutions for a problem, which is located at the organizational level (Schein 1999). How could this happen at the Company and what has led to that the Company's managers who were good at motivating their employees until the late 1990s were no longer able to do so? During this period the Company experienced rapid growth, first organic and then by mergers. Shortly after the mergers were completed, the IT consulting market hit rock bottom and this resulted in several rounds of staff reductions. The consultants' statements about the changes in the organizational culture document their feelings about what happened in the Company. There was disappointment that no one took responsibility for the 'price' of growth as no one handled the problems that mergers bring with them. The Company changed from being a business with great openness and participation, where individual differences were a strength, and which was managed according to individual needs, to an organization that was closed, an organization without co-determination, where the 'individuals have vanished', and where governance was addressed by purely economic principles. Those who managed and rewarded, only saw numbers, not people. Finally, the biggest difference was that people did not care anymore and would not engage and help each other out anymore. This cultural changes correspond to mechanisms to avoid organizational anxiety (Moxnes 2000): (1) Removing emotions by keeping distance and not getting involved (2) Removing the problem: by not taking problems in connection with change serious (3) Removing people by reducing people to objects (4) Institutionalising silence by either not talking about something or talking about something different and (5) Removing responsibility by blaming the consultants for poor results; none of the consultants had mentioned this issue explicitly, but that management had failed in this respect was an opinion, which was implicitly shared by many employees and observed during the data collection. Rapidly changing numbers of employees over a short time bring anxiety and imbalance, which enforce major unintended changes (MaoTsetung 1937). Major changes lead to organizational anxiety because basic structures such as goals and rules are no longer shared, roles become unclear and informal social structures break up (Moxnes 2000). The organization falls into many different groups, which hold dissimilar assumptions and disintegrates as power struggles develop when new structures are established to deal with organizational anxiety (Svedberg 2000). When organizational anxiety has grown to an extent that avert mechanisms occur, the organization develops characteristics, which are inconsistent with the management processes that promote intrinsic motivation. The major changes in a short period of time apparently resulted in organizational anxiety in the Company. This anxiety was met with averting mechanisms that made it difficult to exercise management practices that promote intrinsic motivation with the consequences described above.

We have argued that employees in an IT consulting firm became voluntary job seekers because their psychological contracts were poorly maintained throughout several cycles. The poor maintenance consisted of management practices, which destroyed the consultants' intrinsic motivation. We presented a general process model of how psychological contracts are maintained (see fig. 1). The model is validated and specified (see fig. 2) based on one revelatory case. This approach generates a local empirical theory and contributes to the existing body of knowledge by providing detailed empirical findings. We believe that the model is useful and helps explaining IT consultants' behavior of voluntarily terminating their employments contracts beyond a crisis situation. It should assist managers also in a more general context in avoiding practices, which might lead to their employees' loss of intrinsic motivation and as a consequence to the loss of valuable employees for their organization.

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